

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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FM AMEMBASSY MOSCOW

TO SECSTATE WAHDC 1599

INFO AMEMBASSY BERLIN

USMISSION USBERLIN

AMEMBASSY BUDAPEST

AMEMBASSY BUCHAREST

AMEMBASSY BELGRADE

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

C O N F I D E N T I A L MOSCOW 8862

C O R R E C T E D C O P Y (PARA 3)

E.O. 11652 XGDS-4

TAGS: ETRD, EEWT, UR, XH

SUBJ: EASTERN EUROPEAN IMPACT OF INFLATION IN THE INDUSTRIALIZED
WORLD

1. NORWEGIAN AMBASSADOR TOLD ME THE POLISH AMBASSADOR HAD
EXPLAINED CURRENT GIEREK VISIT TO MOSCOW AS CONCERNED CHIEFLY
WITH ECONOMIC MATTERS. ACCORDING TO POLISH AMB, A MAJOR ELEMENT
IN DISCUSSIONS ON BILATERAL TERMS OF TRADE WAS POLISH ARGUMENT
THAT POLAND CANNOT ESCAPE CONSEQUENCES OF WESTERN INFLATION,
WHICH ALREADY FIND REFLECTION IN POLAND'S COMMERCE WITH INDUS-
TRIALIZED COUNTRIES.

2. JUNE 25 PRAVDA ACCOUNT OF PREMIER KOSYGIN'S JUNE 24 SPEECH AT
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CEMA SESSION IN BUDAPEST GIVES APPARENTLY VERBATIM TEXT OF HIS

REMARKS ON SAME SUBJECT: "ROLE OF ECONOMIC COOPERATION IS GROWING STILL FURTHER IN CONNECTION WITH CIRCUMSTANCES UNFOLDING IN THE WORLD CAPITALIST ECONOMY. THESE CIRCUMSTANCES ARE CHARACTERIZED BY CONTINUED DEEPENING OF RAW MATERIAL, ENERGY AND MONETARY CRISES, MOUNTING INSTABILITY OF CURRENT SITUATION AND STRENGTHENING OF INFLATIONARY PROCESSES. L.I. BREZHNEV, SPEAKING AT THE ELEVENTH CONGRESS OF THE HUNGARIAN SOCIALIST-WORKERS' PARTY IN MARCH OF THIS YEAR, NOTED 'THE STATE OF AFFAIRS IN THE WORLD MARKET CANNOT FAIL TO EXERT AN IMPORTANT INFLUENCE ON OUR ECONOMIC AFFAIRS INASMUCH AS THE SOCIALIST COUNTRIES MAINTAIN RATHER EXTENSIVE ECONOMIC RELATIONS WITH THE NON-SOCIALIST WORLD'" KOSYGIN'S REMARKS ARE OBVIOUSLY INTENDED TO SUPPORT IMPETUS TO STRONGER INTRA CEMA TIES AS PROTECTION AGAINST VAGORIES OF WESTERN CAPITALISM.

3. WHILE SOVIET PRACTICE OF TREATING ROUTINE ECONOMIC INFORMATION AS STATE SECRET PREVENTS PRECISE ASSESSMENT OF IMPACT WESTERN INFLATION HAS HAD IN EASTERN EUROPE, SOVIET ARE CLEARLY DISTURBED BY WHAT THEY PERCEIVE AS DESTABILIZING AND UPREDICTABLE ELEMENT IN THEIR WESTERN TRADE TIES. IT SEEMS LIKELY THAT WESTERN INFLATION ARGUMENT WAS USED BY HONECKER LAST WEEK AS WELL AS GIEREK TO JUSTIFY PROBABLE RELUCTANCE TO ACCEPT MORE ONEROUS SOVIET COMMERCIAL PROPOSALS AND IS THUS ESPECIALLY IRRITATING TO MOSCOW.
STOESSEL

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